

103 KAR 16:150. Apportionment and allocation; financial organizations and loan companies.

RELATES TO: KRS 141.120

STATUTORY AUTHORITY: KRS 131.130(1), 141.120(10)(b)

NECESSITY, FUNCTION, AND CONFORMITY: KRS 141.120(10)(b) requires that the income of interstate businesses be allocated and apportioned and also requires that the property and sales factors for allocations to financial organizations be determined in accordance with an administrative regulation promulgated by the department. This administrative regulation establishes the requirements for determining the property and sales factors needed for apportionment and allocation by financial organizations and loan companies.

Section 1. General. For financial organizations and loan companies, the business income earned within Kentucky shall be determined by a weighted fraction determined in accordance with KRS 141.120(10)(6) and this administrative regulation.

Section 2. Sales Factor. The sales factor shall be a fraction, the numerator of which shall be all receipts derived from loans or other sources negotiated through offices located in Kentucky, and the denominator of which shall be total business receipts.

Section 3. Outstanding Loan Balance Factor. The weighted property factor required by KRS 141.120(10)(b) shall be based on the outstanding loan balance factor determined in accordance with this section. The outstanding loan balance factor shall be a fraction, the numerator of which shall be the average balance of outstanding loans negotiated from offices in Kentucky. The denominator shall be the average loan balance of all outstanding loans. The average outstanding loan balance shall be determined at the beginning and end of the taxable period. If the yearly beginning and ending balance results in an inequitable factor, the average outstanding loan balance may be computed on a monthly average basis.

Section 4. Payroll Factor. The payroll factor shall be determined under the provisions of KRS 141.120(8)(b). (IC-15; 1 Ky.R. 225; eff. 1-8-75; Am. 20 Ky.R. 2878; eff. 5-18-94; 32 Ky.R. 2059; 33 Ky.R. 63; eff. 8-7-2006.)